Major benefits of India:

Indian Economy's return to trend growth also depends on the turnaround in the economy of the developed countries. Commitment to continue the stimulus till recovery is assured (and thereby avoid the risk of double dip) coupled with the pledge to shun protectionism will help the Indian economy through the trade channel.

The framework for strong sustainable and balanced growth while covering all G-20 countries will also bring the actions and policies of systemically important economies under multilateral mutual assessment and will help all as actions/policies that encourage global imbalances (including development imbalances) will be subject matter for debate and corrections.

The steps for strengthening the International Financial Regulatory Systems are aimed at avoiding another financial crisis and this will help in the long run by avoiding the volatility of capital flows that follows a financial crisis. In addition, the international policy development will help in making the Indian Financial Regulatory Systems further strong.

The shift in quotas in the IMF and of the voice and representation in the World Bank in favour of the dynamic emerging markets and the developing countries will also benefit India and correct to some extent the legitimacy and governance deficit in these international financial institutions.

The primacy of the UNFCCC for the climate change negotiations has been confirmed by the Leaders and this reinforces the positions of the developing countries in the negotiations. On the energy front, increasing market transparency and market stability for achieving the objective of avoiding excessive volatility will be of immense help as India imports a large amount of fossil fuel.

Reforms in banking sector

2035. SHRI V. HANUMANTHA RAO:
DR. T. SUBBARAMI REDDY:

Will the Minister of FINANCE be pleased to state:

(a) whether Government is considering far reaching reforms in banking sector including giving banks freedom to open branches in Tier 3 and Tier 4 cities and granting 15 new licences to smaller banks for first time in almost 11 years;

(b) whether Prime Minister also has discussed several reforms measures with the RBI Governor;

(c) whether Prime Minister also discussed idea of giving foreign banks full national treatment by suggesting that the incorporate in India as wholly owned subsidiaries; and

(d) if so, by what time a final decision in this regard will be taken and to what extent banking reforms planned have been implemented?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) Reserve Bank of India (RBI) *vide* its circular DBOD.No.BL.BC.65/22.01.001/2009-10 dated December 1, 2009, has permitted all Scheduled Commercial Banks, (excluding Regional Rural Banks) to open branches in Tier 3 to Tier 6 centres (with population upto 49,999 as per Census 2001) without having the need to take permission from Reserve Bank of India in each case, subject to reporting. Further, banks have been permitted to open branches in rural, semi urban and urban centres in the North Eastern States and Sikkim, without prior permission from the Reserve Bank of India. At present Reserve Bank is not considering issuing new licenses to smaller banks.

(b) to (d) The banking reforms are undertaken by the Government and RBI on a regular basis and is a continuous process. Reserve Bank of India, in its Annual Policy Statement for the year 2009-10, has reviewed the presence of foreign banks in India. In view of the current global financial market turmoil, there are uncertainties surrounding the financial strength of banks around the world. In view of this, it is considered advisable, for the time being, to continue with the current policy and procedures governing the presence of foreign banks in India.

Impact of strengthening of Rupee

2036. SHRI JESUDASU SEELAM:
DR. T. SUBBARAMI REDDY:

Will the Minister of FINANCE be pleased to state:

(a) whether economic recovery is pushing up value of rupee against dollar which might affect country's export sector, which is going through tough time due to slowdown in global economy;

(b) whether rupee has appreciated by around Rs. 1.75 per dollar in last fortnight of October around Rs. 46.25 on back of high industrial production of over 10 per cent and huge inflow of foreign institutional investors fund in stock market;

(c) whether according to a report expectation that the Reserve Bank of India (RBI) would tighten monetary policy following two recent interest rate hikes by Reserve Bank of Australia has affected dollar which in turn provided an impetus to the rupee; and

(d) if so, to what extent strengthening of rupee has impacted recovery of export sector?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) There is no one to one relationship between nominal exchange rate movement and trade flows since the latter depends on a number of factors.

(b) No Sir, the reference rate of US dollar and Indian rupee was at Rs.45.91 per US dollar on October 15, 2009 and increased to Rs.46.96 per US dollar as at end-October 2009, reflecting a depreciation of 2.2 per cent during the last fortnight of October 2009. However, rupee appreciated by 3.7 percent in October 2009 over September 2009.